

PERRY BUILDING AUTHORITY

FINANCIAL STATEMENTS
AND AUDITORS' REPORT

DECEMBER 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Perry Building Authority	County Shiawassee
Fiscal Year End December 31, 2005	Opinion Date April 21, 2006	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. REC
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☐ ☒ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

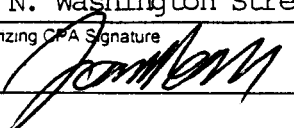
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Demis and Wenzlick, P.C.		Telephone Number 989-723-8227	
Street Address 217 N. Washington Street, Suite 201		City OWOSSO	State Zip MI 48867
Authorizing CPA Signature 		Printed Name James Demis, Jr.	License Number 1101008874

TABLE OF CONTENTS

List of Appointed Officials	1
Auditors' Report	2 - 3
Basic Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Balance Sheet	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes In Fund Balance	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10 - 13
Required Supplemental Information	
Budgetary Comparison Schedule	14
Report on Internal Control over Financial Reporting and On Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	15 - 16

PERRY BUILDING AUTHORITY
LIST OF APPOINTED OFFICIALS
DECEMBER 31, 2005

COMMISSION

David Korcal
Leland Scott

Member
Member

ADMINISTRATIVE OFFICERS

Jo Ann Velting
Judy Guenther

Treasurer
Secretary



DEMIS and WENZLICK, P.C.

Certified Public Accountants

James Demis, Jr., C.P.A.
LaVearn G. Wenzlick, C.P.A.
Lori S. Chant, C.P.A.
Geraldine Terry, C.P.A.

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Tammy Pappas
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Peggy Ryan
Joyce M. Simmons
Barbara Wenzlick
Gail Winnick, C.P.A.

INDEPENDENT AUDITORS' REPORT

Members of the Commission
Perry Building Authority
Perry, Michigan

We have audited the accompanying financial statements of the Perry Building Authority, a component unit of the City of Perry, Michigan, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Perry Building Authority, a component unit of the City of Perry as of December 31, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented the Management Discussion and Analysis, that the Governmental Accounting Standards Board in its Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and local Governments has determined necessary to supplement, although not required to be part of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated April 21, 2006 on our consideration of the Perry Building Authority's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perry Building Authority's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dennis and Wengler, PC

Certified Public Accountants

Owosso, Michigan
April 21, 2006

PERRY BUILDING AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS

Capital and Cash Equivalents	\$ 11,439
Capital Assets (Net)	<u>674,100</u>
TOTAL ASSETS	<u>\$685,539</u>

LIABILITIES

Accrued Interest	\$ 15,271
Noncurrent Liabilities:	
Due within one year	19,000
Due in more than one year	<u>714,000</u>
TOTAL LIABILITIES	<u>\$748,271</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ (58,900)
Unrestricted	<u>(3,832)</u>
TOTAL NET ASSETS	<u>\$ (62,732)</u>

See accompanying notes to financial statements.

PERRY BUILDING AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

					Net (Exp) Revenue in Changes in Net Assets
		<u>Program Revenues</u>			
		Chgs. Operating	Capital		Total
		For	Grants & Grants &		Government
	<u>Expenses</u>	<u>Serv.</u>	<u>Contrib</u>	<u>Contrib.</u>	<u>Activities</u>
Functions/Programs					
PRIMARY GOVERNMENT					
Governmental					
Activities					
Other Functions	\$59,622	\$-0-	\$-0-	\$-0-	\$ 59,622
Building Authority	\$59,622	\$-0-	\$-0-	\$-0-	\$ 59,622
General Revenues					
Unrestricted Investment Earnings					\$ 51
Rental Income					48,162
TOTAL GENERAL REVENUES					\$ 48,213
Change in Net Assets					\$ (11,409)
Net Assets - Beginning					(51,323)
NET ASSETS - ENDING					\$ (62,732)

See accompanying notes to financial statements.

PERRY BUILDING AUTHORITY
BALANCE SHEET
DECEMBER 31, 2005

	Governmental <u>Activities</u>
ASSETS	
Cash and Cash Equivalents	<u>\$11,439</u>
FUND BALANCE	
Unrestricted	<u>\$11,439</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$11,439</u>

See accompanying notes to financial statements.

PERRY BUILDING AUTHORITY
GOVERNMENTAL FUND
RECONCILIATION OF FUND BALANCE OF GOVERNMENTAL FUND
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005

Total Fund Balances for Governmental Funds	\$ 11,439
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds	674,100
Long-term liabilities applicable to governmental Activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.	
Balances as of December 31, 2005 are as follows:	
Bonds Payable	\$ (733,000)
Accrued Interest Payable	<u>(15,271)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(62,732)</u>

See accompanying notes to financial statements.

PERRY BUILDING AUTHORITY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2005

	<u>Building Authority</u>
REVENUES	
Interest Income	\$ 51
Rental Income	58,162
TOTAL REVENUES	\$58,213
EXPENDITURES	
Current	
Other Functions - Building Authority	<u>56,597</u>
Net Change in Fund Balance	\$ 1,616
Fund Balance - Beginning	<u>9,823</u>
FUND BALANCE - ENDING	\$11,439

See accompanying notes to financial statements.

PERRY BUILDING AUTHORITY
GOVERNMENTAL FUND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ 1,616
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Deferred Revenue	(10,000)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation Expense	(21,400)
Repayment of principal is an expenditure in the government funds but reduces the liability in the statement of net assets	
Repayment of long-term debt	18,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in accrued interest	<u>375</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$(11,409)

See accompanying notes to financial statements.

PERRY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Perry Building Authority was incorporated May 1, 1992, under the provisions of Act 31, P.A. 1948, as amended. The Authority operates under a Commission of members as appointed by the City of Perry. The powers and duties of the Authority are to acquire, furnish, equip, own, improve, enlarge, operate, lease, sell, mortgage, convey, and/or maintain a building or buildings, automobile parking lots or structures, recreational facilities, stadiums, and the necessary site or sites therefore, together with the appurtenant properties and facilities necessary or convenient for the purposes of the City of Perry.

REPORTING ENTITY

The financial reporting entity of the Perry Building Authority is included in the general purpose financial statements of its primary government, the City of Perry, as a blended component unit. The decision to include the component unit in the primary government reporting entity was made by applying the criteria set forth in Statement 14 of the Governmental Accounting Standards Board (GASB), the Financial Reporting Entity as well as the Statement of Michigan Governmental Accounting and Auditing No 5, which defines the reporting of primary government and component unit activities. The basic criterion for including a governmental department agency, institution, commission, public authority or other governmental organization in a primary governmental unit's general purpose financial statements is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, and the ability to exercise significant influence over operations.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenues.

PERRY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

BUDGETS AND BUDGETARY ACCOUNTING

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget is approved by the Commissioners prior to the beginning of the year. The operating budget for the fiscal year beginning on the following January 1, includes proposed expenditures and the means of financing them.
2. Any revisions that alter the total expenditures of the Authority must be approved by the Commission.
3. The budget for the General Fund was adopted on the basis prescribed in P.A. 621 of 1978, as amended, which is consistent with accounting principles generally accepted in the United State of America. The budget of the General Fund is adopted on a fund basis; thus expenditures may not legally exceed the budgeted total for the fund.
4. The budget is presented as originally adopted. All appropriations lapse at fiscal year end.

PERRY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES

Receivables are recognized for all significant amounts due the Authority. Valuation reserves have not been provided for since collection is not considered doubtful and any uncollected amounts would be immaterial. At year end, the Authority had no receivables.

ENCUMBRANCES

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

NOTE 2 - CASH AND INVESTMENTS

State statutes authorize the Authority to invest its surplus funds in the following investments: certificates of deposit; savings accounts and deposit accounts with banks which are members of the Federal Deposit Insurance Corporation (FDIC); savings and loan associations which are insured by the FDIC; credit unions which are insured by NCUA; bonds, bills or notes of the United States; commercial paper rated in the three highest rate classifications established; U.S. Government or federal agency obligation repurchase agreements composed of eligible collateral whose market value must be maintained equal to or greater than the amounts advanced, and with an undivided interest; and mutual funds and investment pools composed entirely of investments which are legal for direct investment by local units of government in Michigan.

At December 31, 2005, bank deposits amounted to \$11,439 and the Authority's carrying amount was \$11,439. Of that amount, \$11,439 was covered by FDIC insurance.

PERRY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3 - CAPITAL ASSETS

Capital assets activity of the Authority for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Building	\$856,000	\$ -0-	\$ -0-	\$856,000
Accumulated Deprec.	<u>160,500</u>	<u>21,400</u>	<u>-0-</u>	<u>181,900</u>
Net Capital Assets	<u>\$695,500</u>	<u>\$ (21,400)</u>	<u>\$ -0-</u>	<u>\$674,100</u>

NOTE 4 - CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt of the Authority for the year ended December 31, 2005.

The Building Authority Bonds are due in annual installments of \$19,000 to \$53,000 through October 2027: plus interest of 5% payable semi-annually.

	<u>Beginning Balance</u>	<u>Payments</u>	<u>Ending Balance</u>
Building Authority Bonds	\$751,000	\$18,000	\$733,000

Annual requirements to pay future principal and interest are:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 19,000	\$ 36,175
2007	20,000	35,200
2008	21,000	34,175
2009	22,000	33,100
2010	23,000	31,975
2011-2015	134,000	140,850
2016-2020	173,000	102,725
2021-2025	217,000	54,275
2026-2027	<u>104,000</u>	<u>5,250</u>
TOTAL	<u>\$733,000</u>	<u>\$473,725</u>

PERRY BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 5 - LEASE AGREEMENT

The City of Perry is obligated under a non-cancelable operating lease agreements for various facilities owned by the Authority. A schedule of future minimum lease payments to be received from the City of Perry are scheduled as follows:

<u>December 31,</u>	<u>Operating Lease Agreements</u>
2006	\$ 55,175
2007	55,200
2008	55,175
2009	55,100
2010	54,975
2011 - 2015	274,850
2016 - 2020	275,725
2021 - 2025	271,275
2026 - 2027	109,250

NOTE 6 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors, omissions, injuries to employees, and natural disasters. The Authority manages risk through the purchase of commercial insurance from the Michigan Municipal Liability and Property Pool. The Michigan Municipal Liability and Property Pool is an association organized to purchase commercial insurance for protection against loss from liability, vehicle, physical damage, property claims and crimes for Michigan cities, counties, townships and special service governments. The Authority's coverage is an extension on the City of Perry's insurance policy.

PERRY BUILDING AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Actual
	Original	Final		(Over) Under Final Budget
REVENUES				
Rents	\$48,162	\$48,162	\$58,162	\$ (10,000)
Interest	<u>100</u>	<u>100</u>	<u>51</u>	<u>49</u>
TOTAL REVENUES	<u>\$48,262</u>	<u>\$48,262</u>	<u>\$58,213</u>	<u>\$ (9,951)</u>
EXPENDITURES				
Current	\$ 900	\$ 900	\$ 750	\$ 150
Professional and				
Contracted Service	1,000	1,000	741	259
Insurance and Bond	100	100	6	94
Debt Retirement				
Principal	18,000	18,000	18,000	
Interest	<u>37,100</u>	<u>37,100</u>	<u>37,100</u>	
TOTAL EXPENDITURES	<u>\$57,100</u>	<u>\$57,100</u>	<u>\$56,597</u>	<u>\$ 503</u>
Net Change in Fund				
Balance	\$ (8,838)	\$ (8,838)	\$ 1,616	\$ (10,454)
Fund Balance - Beginning				
Of Year	<u>11,041</u>	<u>11,041</u>	<u>9,823</u>	<u>1,218</u>
FUND BALANCE - END				
OF YEAR	\$ 2,203	\$ 2,203	\$11,439	\$ (9,236)

See accompanying notes to financial statements.



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Members of the Perry Building Authority
Perry, Michigan

We have audited the financial statements of the Perry Building Authority as of and for the year ended December 31, 2005, and have issued our report thereon dated April 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Perry Building Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Perry Building Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Perry Building Authority's management, officers, and the applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dennis and Wenzel, PC

Owosso, Michigan
April 21, 2006



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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April 21, 2006

Members of the Perry Building Authority
Perry, Michigan

In planning and performing our audit of the financial statements of the Perry Building Authority for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of our examination of the Authority's financial statements, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

MEETING MINUTES

We noted that minutes were not being kept for meetings. In order to maintain strong internal controls, we recommend written signed minutes of all meetings. This written record will aid in resolving any future questions of meeting activities.

BUDGET HEARING

State statute requires a public hearing to be held concerning the annual budget. During our audit, we became aware that no hearing took place. We recommend holding public sessions for all future budgets.

INVOICE APPROVAL

Council approval is required prior to payment for each invoice. During our audit, we became aware that council approval has not been received for the invoice payments. We recommend obtaining council approval prior to payment for every invoice.

Sincerely,

Demis and Wenzlick, P.C.

Demis and Wenzlick, P.C.
Certified Public Accountants